

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – DECEMBER 14, 2005

PRESENT: Chairman Anthony Maiola and Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Steven Slovenski, Legal Counsel; Peter Engel, Director of Store Operations; Howard Roundy, Director of Information Technology; Eddie Edwards, Chief of Enforcement; Evie Taft, Human Resources Administrator; Richard Gerrish, Spirits Marketing Specialist; Nicole Brassard, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer; Doreen Wittenberg, Business Supervisor, Administrative Services. **Guests:** Al Picconi, United Beverages, Inc.; Brian Law and Michael Goclowski, Law Warehouses.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports:

A. Weekly, Y-T-D Sales Reports:

Total sales for the week ending December 11, 2005 increased by 1.12% or \$100,321, as they also did year-to-date by 4.71% or \$8,864,381.

B. Budget/Administrative Reports:

Chief Edwards had suggested that the Commission consider increased security measures at the front entrance of headquarters. Craig asked for the Commission's consent to obtain an estimate to be included in the biennial budget. This project would include replacing the doors and some of the glass. The Commission agreed to move forward with this.

The Annual Report has been completed and will be presented to the Governor and Council at their December 21st meeting. The Commission will have a couple of items on that agenda.

Earlier this week, Craig received from Chairman Maiola a request to complete four questions from the Governor's Efficiency Committee. The Commission concurred with the responses as submitted.

The current W-6 Expense Budget Activity Variance Report shows the year to be at about 45.48% expired, with approximately 43.75% of the budget expended. Store Operations, Utilities and Class 50 monies continue to be closely monitored. A transfer of monies into the Benefits category will probably be necessary before the end of this year.

Chairman Maiola questioned the large amount of sales in the off-premise market. John Bunnell will run Hannaford projections to see what is happening there.

2. IT Report:

John Bunnell mentioned that Marketing did not receive the warehouse sales numbers this morning; Howard said he would check into this.

3. Human Resources Report:

Evie said that everyone involved did a great job in getting in all the appraisals for the month of December. From this point on, she and Veronica will send appraisals due in December out three months ahead in September to give those responsible for completing them some more time.

II. MARKETING & SALES REPORTS

1. Store Operations:

Total store sales for the week ending 12/11/05 decreased by -0.89% or (\$61,306.36), which was indicative of the snow storm last week. There has still been a lot of strong activity in Keene and Swanzey despite the weather.

Store Operations has been in touch with those stores having inventory problems. They are working on over stock situations and depleting them.

There will be a meeting next Monday after with the Lottery regarding a joint radio buy venture between the two Commissions which would include both Hot Lotto tickets and liquor gift cards.

2. Purchasing Report:

Marketing is working diligently to get Kettel One Vodka back into the stores after the recent recall.

3. Merchandising Report:

A. SPIRITS:

1) Proposed Weekly Sales 2006:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve the list of proposed weekly sales for calendar

year 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Super Bowl Sale:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve thirty-four (34) spirit items to be featured during the Super Bowl Sale, scheduled for Thursday, January 26 through Sunday, February 5, 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Special Offers for February 2006 (Super Bowl Sale):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from Pine State Trading Company, based upon depletions of three (3) wine products, to be featured on sale during the Super Bowl Sale (January 26 through February 5, 2006), as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Additional Super Bowl Sale Offers:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve additional special offers from Horizon Beverage Company, based upon depletions for eight (8) spirit items, to be featured on sale during the Super Bowl Sale (January 26 through February 5, 2006), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Test Market Products:

a. Test Market Request (Pinnacle Cherry, Apple, Orange & Citrus Vodkas):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve new test market requests from Horizon Beverage Company/White Rock Distillers for the following 4 1.75L size spirit items, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales: Pinnacle Cherry Vodka (new Code #3701);

Pinnacle Apple Vodka (new Code #3702); Pinnacle Orange Vodka (new Code #3704); and Pinnacle Citrus Vodka (new Code #3706). The motion was unanimously adopted.

b. Test Market Results (Codes #3770, #2882 & #2383):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission delist Code #3770, Sauza RTD Strawberry Margarita, 1.75L size, for failure to achieve both gross profits required for full distribution and specialty item consideration at the conclusion of a six-month test market period, and grant specialty status to Code #2882, Highland Park 18-Year Single Malt, 750ML size and Code #2383, Zuidam Dry Gin, 750ML size, both of which achieved the gross profit required for specialty item consideration at the conclusion of a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) Line Extension Requests:

a. Captain Morgan Tattoo, 1.75:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Southern Wine & Spirits of New England, Inc./Diageo North America for a line extension to Captain Morgan Tattoo Rum, 1.75L size (new Code #4335), as this brand in the 750ML size has achieved the gross profit required for an added size listing, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Ciroc Vodka, 375ML:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Southern Wine & Spirits of New England, Inc./Diageo North America for a line extension to Ciroc Vodka, 375ML size (new Code #3508), as this brand in the 750ML size has achieved the gross profit required for an added size listing, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Dr. McGillicuddy's French Kiss, 375ML:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Southern Wine & Spirits of New England, Inc./Sazerac Company for a line extension to Dr. McGillicuddy's French Kiss Vanilla Schnapps, 375ML size (new Code #5102), as this brand in the 750ML size has achieved the gross profit required for an added size listing, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) February Price Increase:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve price increases effective with the February 2006 price change for Code #1376, Jim Beam Bourbon, 1.75L size and Code #3545, Ketel One Vodka, 1.75L size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

8) January 2006 Sweepstakes:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission deny a request from Southern Wine & Spirits of New England, Inc./Diageo North America to conduct a sweepstakes from January 6 through February 26, 2006 whereby a consumer can enter to win one of ten Diageo multi-brand shot machines. The motion was unanimously adopted.

9) January 2006 E-mail Coupon:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H. to utilize a \$3.00 coupon in promotion of Code #955, Hangar One Buddha's Hand Citrus Vodka, 750ML size and Code #755, Van Gogh Raspberry Vodka, 750ML size, as part of the January 2006 coupon e-mail alert program, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

10) One Time Buy (Antique Bourbon Collection):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Southern Wine & Spirits of New England, Inc./Sazerac Company to conduct a one-time buy of four selected

limited production whiskies from the Antique Bourbon Collection, plus the purchase of Buffalo Trace Bourbon, 750ML size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted. (Commissioner Byrne also asked Rick to look into getting a new Sazerac rye product introduced in New Hampshire.)

11) January Special Offer (1 item – Southern Wine & Spirits of N.E.):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an additional special offer from Southern Wine & Spirits of New England, Inc., based upon depletions for one (1) spirit item, to be featured on sale during January 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

12) February Special Offers:

a. 174 items (Southern Wine & Spirits of N.E.):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Southern Wine & Spirits of New England, Inc., based upon depletions for one hundred seventy-four (174) spirit items, to be featured on sale during February 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 2 unmatched items (Southern Wine & Spirits of N.E.):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Southern Wine & Spirits of New England, Inc., based upon depletions, without matching state funds, for two (2) spirit items, to be featured on sale during February 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) March 2006 Wine Sale:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the placement of Australian, New Zealand, Chilean, Argentinean and South African wines on sale for the “Down Under

Sale”, beginning February 27 through March 26, 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Request for Second Size:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H./ Robert Mondavi Winery for a second size listing of Woodbridge Pinot Grigio, 750ML size (new Code #35471), to be placed in Cluster 1 and 2 stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Test Requests:

a. Lindeman Bin Wines:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H. to test 3 Lindeman Bin wines by placing three absolutes in Cluster 1 stores and Stores #55 Bedford and #60 West Bedford, and approve the removal of selected Australian wines from retail, to be reduced in price to deplete inventory, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Anastasi Estates Wines from Greece:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from R.P. Imports to test 5 Anastasi Estates Wines from Greece by placing three absolutes in Cluster 1 stores and 12 other selected store locations, approve the removal of 4 selected Greek wines from retail, to be reduced in price to deplete inventory, and approve tastings at six stores on January 12, 13, 19 and 20, 2006 from 3:00 p.m. to 5:00 p.m., as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Woodbridge Riesling Mosel, 1.5L:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti

Companies of N.H. to introduce Code #42413, Woodbridge Riesling Mosel, 1.5L, by placing three absolutes in Cluster 1 stores and Stores #55 Bedford and #60 West Lebanon, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Recommended Allocated Wines for Distribution to Selected Stores (15 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve fifteen (15) allocated wines for distribution to selected stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Recommended Allocated Wines (Absolutes) for Distribution to Selected Stores:

a. 1 item:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve one (1) allocated wine (absolute) for distribution to selected stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 14 items:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve fourteen (14) allocated wines (absolutes) for distribution to selected stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) Primary Source Submissions (2 primary source; 4 exclusive agent; 27 imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of two (2) wine codes which are from primary source, four (4) wine codes which are offered by the exclusive marketing agent, and twenty-seven (27) wine codes which are imported, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 7) Dom Perignon Pricing (11/30/05, Item B-2): Item remained on the table.

III. ENFORCEMENT & LICENSING REPORT – No report given.

IV. CHAIRMAN'S REPORT & LATE ITEMS:

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated December 8 through December 14, 2005. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items/Other: None.

Anthony C. Maiola, Chairman

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford